



DEPARTMENT OF THE NAVY
OFFICE OF THE UNDER SECRETARY OF THE NAVY
SECRETARIAT/HEADQUARTERS HUMAN RESOURCES OFFICE
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WASHINGTON DC 20350-1000

4 April 2005

MEMORANDUM FOR NAVY SECRETARIAT SENIOR EXECUTIVES

Subj: NEW PERFORMANCE PLANS FOR SENIOR EXECUTIVES

Encl: (1) UNSECNAV memo of 30 Mar 05

In accordance with enclosure (1), all Department of the Navy Senior Executive Service (SES) members must transition to the new DoD SES Pay and Performance System no later than 1 May 2005.

OCHR has created both an on-line self-instructional guide and web-based, automated performance appraisal form/process for senior executives and their raters. The guide is located at www.donhr.navy.mil/Senior_exec/default.asp. OCHR will contact you directly by e-mail when the web-based form/process is available for your use.

Please do not hesitate to contact us if you have any questions or need additional information. Our points of contact are:

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William M. Mann III
Director



THE UNDER SECRETARY OF THE NAVY
WASHINGTON, D.C. 20350-1000

MAR 30 2005

MEMORANDUM FOR DISTRIBUTION

Subj: PERFORMANCE PLANS FOR SENIOR EXECUTIVES FOR FISCAL YEAR
2004 THROUGH 2005

Ref: (a) ASN (M&RA) memo of Jul 19, 04

Encl: (1) Revised Overview of DoD Executive Pay and Performance
Plan
(2) Department of the Navy Plan

Reference (a) announced the proposed Department of Defense (DoD) Executive Pay and Performance System. An overview is provided at enclosure (1). Recently, DoD changed the rating cycle to October 1 to September 30, 2005. The Department of the Navy (DON) will implement the new system in advance of approval by the Office of Personnel Management. In order to rate our executives and determine pay increases and awards under the proposed DoD plan, new standards must be established for a minimum of 90 days starting no later than May 1, 2005.

To prepare for this transition, a self-instructional guide has been developed and is posted on the DON Senior Executive Staff web page at www.donhr.navy.mil. This guide will help raters and ratees become familiar with the new process, new terminology, and new form. We will provide a web-based automated performance appraisal form/process no later than April 1, 2005. I cannot stress enough how important it will be that executives access the instructional guide without delay in preparation for standard setting by May 1 2005.

This new system is a departure from how we have approached executive performance and recognition in the past. The new regulations will necessitate a new approach to the way we manage executive salaries and bonuses. All of our executives are high performers. However, the executive performance plan must make meaningful distinctions among executives based on relative performance and contributions that are tied to our DON mission and strategic plan, as well as to the Presidents Management Agenda and Government Performance and Results Act. We need to implement a culture where meeting expectations is considered a perfectly acceptable rating by our executives. This is a big change that requires your personal attention and leadership.

For the rating cycle that began on July 1, 2004, executives are to transition (roll-over) their existing performance plans to the new performance plans by May 1, 2005. The three standard elements and objectives currently in place should be linked, where appropriate, to the new performance elements in the DoD plan.

No close out rating is necessary. However, you will use all information when completing the final rating on September 30, 2005, under the new system. I strongly encourage face-to-face meetings with executives to transition from the old to new standards. This transition is a prerequisite to executing ratings and pay increases and awards under the new system. Enclosure (2) outlines the steps in the Fiscal Year 2004/2005 appraisal process.

Your leadership and support in conveying this major change to the executive performance appraisal in the DON will be critical to successful implementation.



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Revised Overview of the Proposed Department of Defense Senior Executive Performance Plan

Overview

As authorized by the 2004 National Defense Authorization Act. The Department of Defense (DoD) has developed a proposed executive pay and performance plan which will apply to all executives within the DoD. Included are Senior Executive Service (SES) members, Senior Levels (SLs), Scientific and Professionals (STs), Defense Intelligence SES (DISES), and Defense Intelligence SLs (DISLs). Two systems within this policy are established -- one which covers SES and DISES, and a separate one which covers SLs, STs, and DISLs.

The DoD policy requires that performance elements and performance requirements reflect effectiveness and productivity by demanding results, being customer focused, and linking performance to strategic goals and objectives, and the President's Management Agenda.

In view of these comprehensive changes in executive pay and performance appraisal processes, the DON has incorporated the proposed DoD requirements into a new system which is being issued in advance of Office of Personnel Management certification. Our senior executives and their superiors need to begin, now, to become familiar with the new concepts and requirements of a pay-for-performance system.

A brief overview of required DoD performance elements, which apply to SES and SIES, are provided below. There have been changes, so please read carefully.

The proposed DoD plan will require seven standard performance elements. The standard performance elements are: 1) Leadership/Supervision; 2) Contribution to Mission Accomplishment; 3) Resource management; 4) Communication; 5) Cooperation/Teamwork; 6) Customer Care; and 7) Technical Competence/Problem Solving. In the DoD plan, three of the seven elements are mandatory; one, two and six. For the 200/2005 rating cycle, **all seven** performance elements will be mandatory for DON executives. Additionally, DON has provided standard performance requirements and key actions (key actions define the level of performance) under each element for six of the seven elements. **Requirements must be developed by the executive and rater for element two based on the position.**

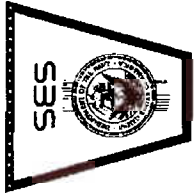
A web-based automated performance system has been developed that that will help make the appraisal process a bit easier. The system will automatically generate the standard requirements and key actions for all elements **except** element two, Contribution to Mission Accomplishment. Based on the score and weight factors for each element the system will calculate a preliminary rating and performance payout shares. For each step in the process executives and raters will be sent reminders that an action is due.

Timeline for Implementation

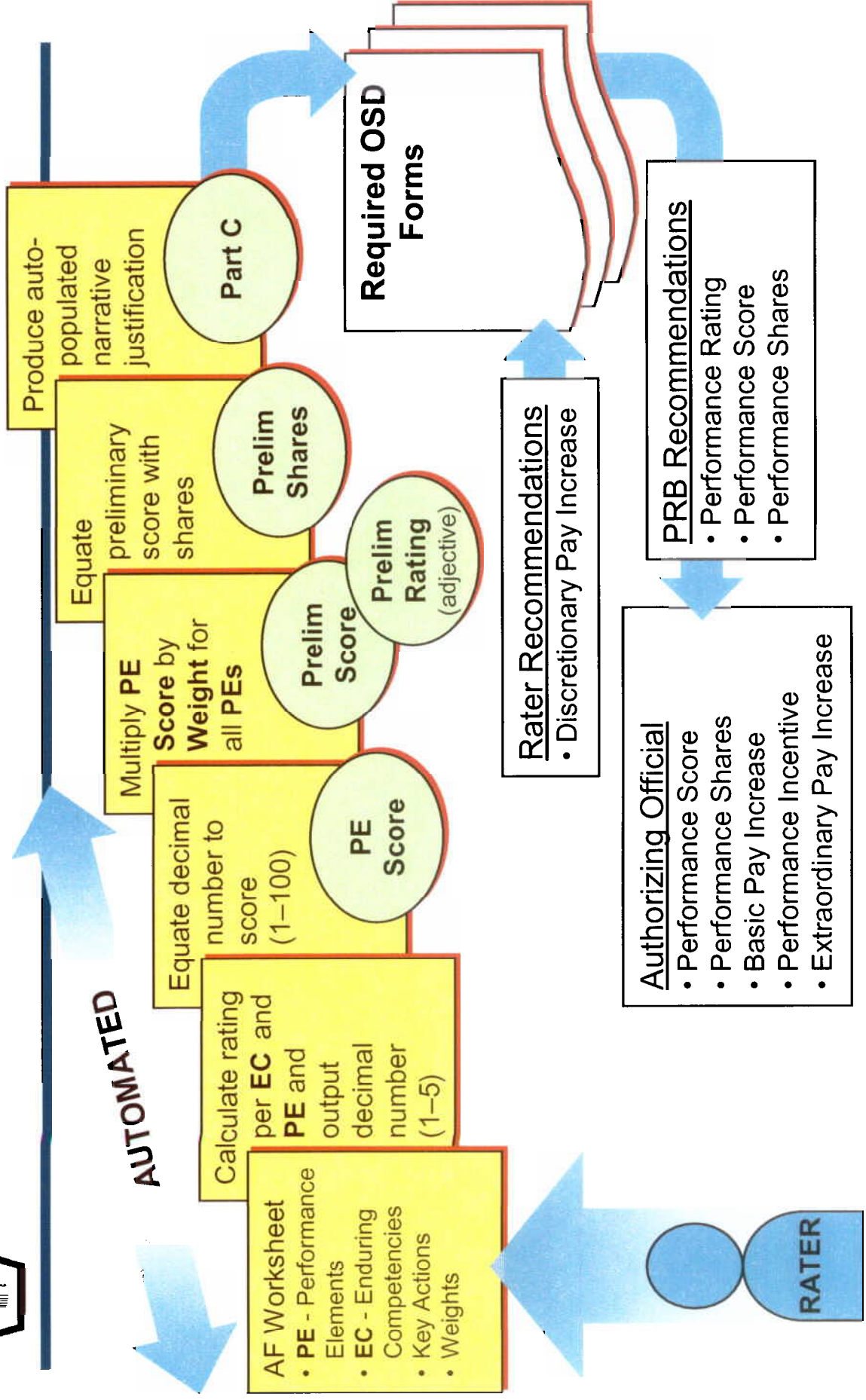
Computer based training on the new performance system was deployed and available to executives on the SES web-page February 18, 2005. Further training and guidance will be provided at the SES seminar April 12-13, 2005. Standards under the new performance system must be set no latter than **May 1, 2005**.

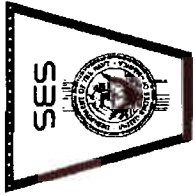
Enclosure (1)

March 2005

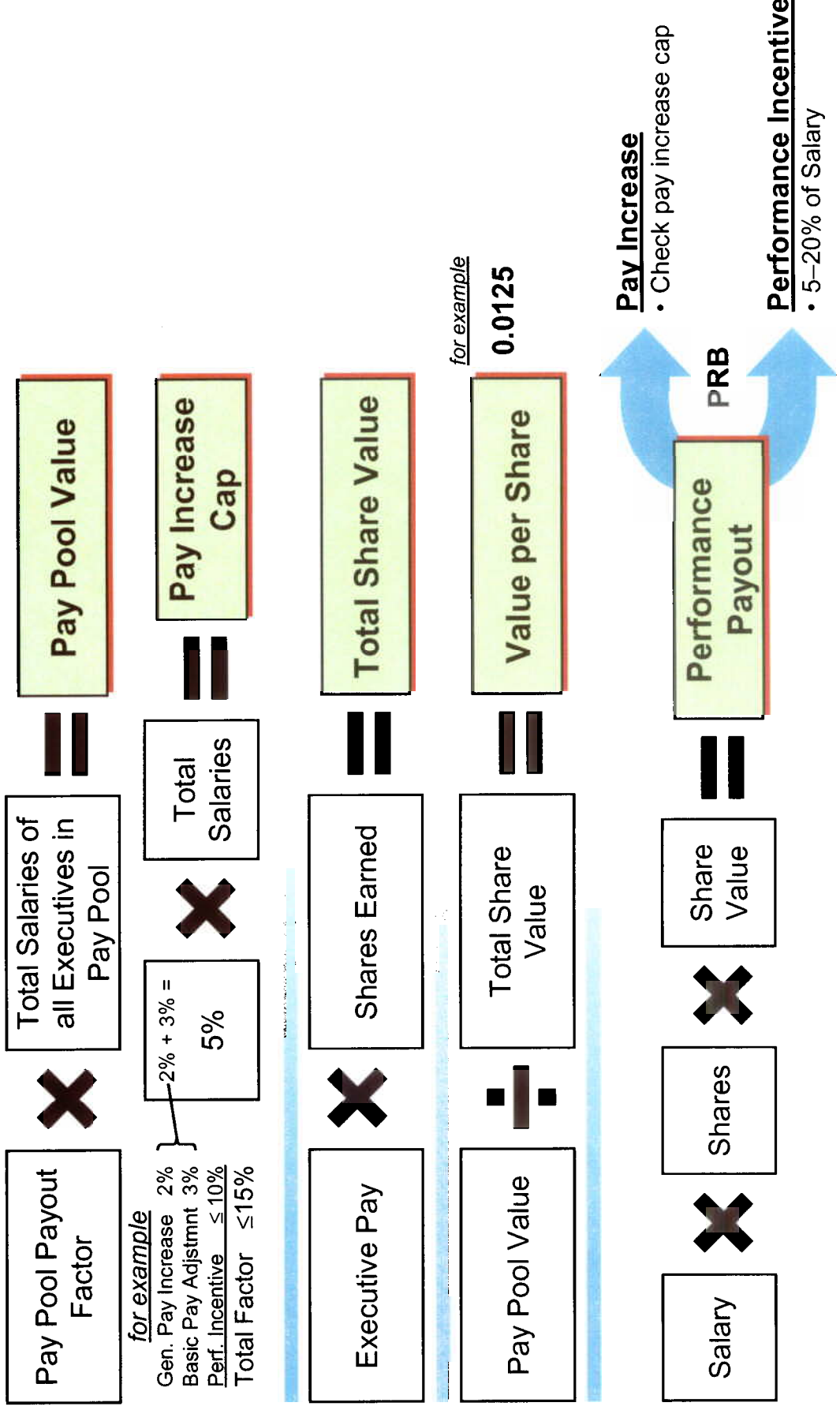


Worksheet Products





Performance Payout



Steps in the DON Performance Appraisal Process 2004/2005 Rating

Rating Official

1. Develop Performance Plan - Set by May 1, 2005 using the automated web-based tool EPPS.
2. Determine which of the 7 Standard Performance Elements Relate to Position – All 7 elements are mandatory for the 2004/2005 rating cycle. Transition (link) current performance elements to the appropriate elements in the new appraisal plan
3. Weight the Performance Elements – Weights have been set for the 2004/2005 rating cycle. Elements 1 and 2 will be 25% each all other elements will be 10% each for a total of 100%. These weights cannot be changed.
4. Develop, with the Executive, a Narrative Description of the Performance Requirements for each Element- Standard Requirements and Key Actions have been set for each element and cannot be changed. You will rate only those key actions that apply. The Executive and rater will need to develop requirements for element 2 as they apply to the position.
5. Discuss Performance Elements and Requirements with Executive- This must be done when setting standards and at least once during the rating cycle.
6. Document Performance Elements and Requirements on the DoD Executive Pay and Performance Appraisal Form- Use web-based automated tool.
7. Provide On-Going Feedback
8. Hold at Least One Progress Review and Document it. Feedback for this cycle can be accomplished when setting new standards.
9. Ask Executive for Narrative Input.
10. Appraise Executive's Performance at the End of the Rating Period - September 30, 2005
11. Assess Executive Accomplishments Against Performance Elements and Requirements.
12. Assign Numeric Score to Performance Elements as Preliminary Performance Score- This step is automated.
13. Use Share Conversion Chart, Assign Preliminary Performance Payout Shares
14. Discuss Performance Appraisal with Executive

Performance Review Board

15. Review Executive Performance Appraisals, Preliminary Performance Score and Performance Payout Shares.
16. Recommend Executive Performance Ratings, Performance Incentives and Increases to Basic Pay.

Authorizing Official

17. Determine Final Performance Rating, Performance Score and Performance Payout Share (including Split Between Incentive and Increase to Basic Pay).

Rating Official/Ratee

1. Set new standards October 1, 2005 for the 2005/2006 rating cycle.

Enclosure (2)

March 2005